

Subsequent thereto, the Parties have engaged in comprehensive settlement discussions in an attempt to resolve all issues raised in this proceeding without formal litigation. The terms and conditions set forth in this Stipulation reflect the results of those negotiations and resolve all issues that were or could have been contested in this docket among the Parties. As a result of this Stipulation, Staff and the OCC hereby withdraw their respective requests that a hearing be held in this matter.

III. SUMMARY OF SETTLEMENT

The settlement reached by the Parties has the following key components:

- Approval of specific relief requested by CTC-Colorado and USWC in their Joint Application;
- Implementation of a four-year price regulation plan for CTC-Colorado that includes price ceilings, price lists, contracting flexibility and the ability to bundle and package services;
- Implementation of a four-year service quality incentive plan for CTC-Colorado that includes implementation of service guarantees and automatic prospective remedies for non-compliance;
- Adoption by CTC-Colorado of USWC's price ceilings, price lists and terms and conditions of service for regulated services applicable within the exchanges being acquired at the time of closing, including specific bill credits for local number portability and the Colorado High Cost Support Mechanism ("HCSM");
- Agreement by CTC-Colorado not to seek an increase in price ceilings and individual prices for basic local exchange access and intrastate switched access services for one (1) year;
- A \$20,000,000 infrastructure investment commitment by CTC-Colorado over a four-year period;
- Establishment of specific reporting requirements for CTC-Colorado regarding service quality performance and infrastructure investment;

- Affirmation by CTC-Colorado regarding treatment of interconnection agreements with telecommunications service providers;
- Substitution of CTC-Colorado for USWC as the Provider of Last Resort, Eligible Provider and Eligible Telecommunications Carrier in the exchanges being acquired;

IV. TERMS OF SETTLEMENT

1. Approval of this Stipulation is in the Public Interest.

The Parties agree that: (i) the compromises reflected herein are a just and reasonable resolution of the above-captioned proceeding; (ii) reaching agreement as set forth herein by means of a negotiated settlement is in the public interest; and, (iii) approval of this Stipulation and implementation of the terms hereof is consistent with the policy of the State of Colorado as articulated by the General Assembly to promote a competitive telecommunications marketplace while protecting and maintaining the wide availability of high quality telecommunications services. The Parties further agree that the form of price regulation to be applied to CTC-Colorado for its regulated service in the exchanges being acquired from USWC is consistent with the policy of the State of Colorado to foster the development of flexible regulatory treatment for telecommunications services. Consequently, the Parties agree that the settlement reflected in this Agreement will result in a direct benefit to the affected customers.

2. Approval of the Sale and Transfer is in the Public Interest.

Pursuant to the Commission's authority in C.R.S. §§40-5-105, 40-15-202, 40-15-204, 40-15-302, and 40-15-303 and the Commission's rules promulgated

thereunder, the Parties agree that the sale and transfer of the subject exchanges and access lines to CTC-Colorado, and CTC-Colorado's subsequent ownership and operation thereof is in the public interest and is consistent with the statements of public policy contained in C.R.S. §§40-15-101, 40-15-501, and 40-15-502. Subject to the terms and conditions of this Agreement, the Parties hereto agree that it is appropriate and do hereby request that the Commission grant the following relief requested by CTC-Colorado and USWC as set forth in their Joint Application filed in this docket on March 8, 2000:

- Approving the terms and conditions of the sale as set forth in the Colorado Purchase Agreement and the testimony of the Joint Applicants;
- Finding that the proposed sale of the exchanges and the associated transfer of a portion of USWC's certificate, operating authority and CPCN to CTC-Colorado is consistent with the public interest and should be approved;
- Deleting the seventeen exchanges being transferred to CTC-Colorado from USWC's service territory and USWC's certificate, operating authority and CPCN, and issuing a new certificate, operating authority and CPCN to CTC-Colorado for these seventeen exchanges;
- Designating CTC-Colorado as an Eligible Telecommunications Carrier ("ETC") pursuant to Section 214 of the 1996 Telecommunications Act and Rule 723-42 of the Commission's rules for the seventeen exchanges being transferred to CTC-Colorado;

- Designating CTC-Colorado as an Eligible Provider ("EP") for purposes of the Colorado High Cost Administration Fund in the seventeen exchanges being transferred to CTC-Colorado;
- Allowing USWC to relinquish all of its obligations, including its ETC, EP and Provider of Last Resort ("POLR") status, in the seventeen exchanges being transferred to CTC-Colorado;
- Affirming that the Commission does not object to the granting of study area waivers by the Federal Communications Commission ("FCC"), or to any reconfiguration of study area boundaries for the exchanges;
- Granting a variance or waiver of the Commission's rules as specifically requested in paragraphs 11, 19 and 32 of the Joint Application as described in paragraph 12 below;

The Parties agree that the Joint Application of CTC-Colorado and USWC filed in this docket are properly admitted into evidence in this docket so as to become part of the Commission's official record in this proceeding.

3. Term of Price Regulation and Service Quality Plan.

The term of the price regulation and service quality plan (the "Plan") agreed to herein will be for a period of four (4) years, commencing on the "Effective Date" which is defined as the first day of the month immediately following closing of the purchase and sale transaction described in the Colorado Purchase Agreement

referred to in Article II above (the "Closing"). However, CTC-Colorado may, at its option, terminate the Plan at any time after the first anniversary of the Effective Date by the filing of a general rate case. In the event there is a gap in time between the Closing and the Effective Date of the Plan, CTC-Colorado will nevertheless be authorized to operate under the form of price regulation described in paragraph 4 below.

4. Implementation of Price Regulation for CTC-Colorado.

The Parties agree that the Commission-regulated services offered by CTC-Colorado in the subject exchanges will be subject to a form of price regulation during the term of the Plan, and that during the term of the Plan, CTC-Colorado will not be subject to rate of return regulation or any Phase I (*i.e.* revenue requirement) rate case. The form of price regulation agreed to by the Parties includes establishing price ceilings and price lists for Commission-regulated telecommunications services provided by CTC-Colorado, contracting flexibility and the ability to bundle and package services. It also includes agreement as to the procedures to be followed in the event such price ceilings or individual prices are revised during the term of the Plan. The Parties agree that there exist sufficient factual and legal predicates as required by the Commission's rules (including, without limitation, Rule 723-38) upon which the agreed-upon form of price regulation for CTC-Colorado may be implemented.

The form of price regulation agreed to by the Parties for CTC-Colorado has the following features:

A.) CTC-Colorado will adopt the price ceilings, the price lists and the terms and conditions of service of USWC that are applicable to Commission-regulated telecommunications services as same exist in the subject exchanges at the time of Closing. CTC-Colorado will not be required to adopt any promotional offerings by USWC in the subject exchanges, except that CTC-Colorado will honor a promotional offering for the remaining term thereof to the extent a customer is already receiving the promotional service.

During the term of the Plan, CTC-Colorado will issue the local number portability ("LNP") and the HCSM bill credit to residential and business basic local exchange service customers in the amounts set forth in Exhibit 1 attached hereto. With regard to the LNP bill credit, CTC-Colorado will have no obligation to issue such a bill-credit in excess of the amount that CTC-Colorado is authorized to charge by the FCC and will have no obligation to issue such a bill credit to the extent: i) CTC-Colorado is not authorized to assess a FCC surcharge for local number portability; or, ii) CTC-Colorado is not applying such a surcharge to a particular customer. Nothing herein will limit or restrict CTC-Colorado's ability to recover any investment, expense or other cost incurred by CTC-Colorado relating to local number portability capability in the subject exchanges after Closing to the extent the FCC approves a surcharge in excess of the LNP bill credit set forth in Exhibit 1.

B.) CTC-Colorado agrees that it will not seek to increase the price ceilings or individual prices for basic local exchange service and intrastate switched access services for a period of twelve (12) months after the date of Closing;

provided, however, that such prohibition will not apply to the extent that CTC-Colorado requests an increase as a result of legislative or regulatory action (not initiated by CTC-Colorado) or as a result of a force majeure event.

C.) Upon the expiration of the twelve (12) month period agreed to in paragraph 4 (B) above, CTC-Colorado will be free to seek to modify any price ceiling or individual price applicable to any Commission-regulated service pursuant to the procedures set forth in this paragraph 4; provided, however, for the term of the Plan, CTC-Colorado agrees to waive any right it may have to increase the price ceiling for residential basic local exchange service to recover the costs of investments for network upgrades made by CTC-Colorado for the purpose of provisioning residential basic local exchange service. CTC-Colorado expressly reserves any other rights it may have under the Colorado Public Utilities Law and Commission rules promulgated thereunder regarding the ability to seek to increase the price ceiling applicable to residential basic local exchange service.

D.) If CTC-Colorado initiates a new regulated service during the term of the Plan, it will file an advice letter effective on thirty (30) days' prior notice, setting forth an amended price list with the actual price to be charged for the new service, and an amended tariff reflecting the price ceiling and any terms and conditions for the new service. Unless suspended by the Commission, any such advice letter will become effective according to its terms. The Commission may suspend and investigate any such advice letter in accordance with applicable law and Commission rules and procedures. In a suspension and investigation proceeding based on such an advice

letter, CTC-Colorado will have the burden of going forward and the burden of proof that the proposed price ceiling, price list, and any terms and conditions for the new service are just, reasonable, not unduly discriminatory, and otherwise in compliance with all applicable law and rules.

E.) CTC-Colorado may file, at its discretion except as provided in paragraphs 4 (B) and (C) above, to change the price ceiling for any existing service. Modifications to price ceilings will be accomplished through advice letter filings on thirty (30) days' prior notice. Unless suspended by the Commission, any advice letter changing a price ceiling will become effective according to its terms. The Commission may suspend and investigate any such advice letter in accordance with applicable law and Commission rules and procedures. In a suspension and investigation proceeding based on such an advice letter, CTC-Colorado will have the burden of going forward and the burden of proof that the proposed change in the price ceiling is just, reasonable, not unduly discriminatory, and otherwise in compliance with all applicable law and rules.

F.) CTC-Colorado may file, at its discretion, to change the actual price of any service as reflected on the price list through a transmittal letter filing on fourteen (14) days' prior notice, provided the proposed price is less than or equal to the applicable price ceiling. Unless suspended by the Commission, any transmittal letter changing a price on a price list will become effective according to its terms. The Commission may suspend and investigate any such transmittal letter in accordance with applicable law and Commission rules and procedures. In a suspension and investigation

proceeding based on a transmittal letter, CTC-Colorado will have the burden of going forward and the burden of proof that the proposed change in the price list is just, reasonable, not unduly discriminatory, and otherwise in compliance with applicable law and rules.

G.) Except as to issues addressed in paragraph 4 (H) below, in any filing by CTC-Colorado under this paragraph 4, Staff and the OCC reserve their rights to assert any position they may deem necessary in any such proceeding, including but not limited to the right to oppose CTC-Colorado's filing in its entirety.

H.) For the purposes of settlement, CTC-Colorado will use a rate of return on equity of 11.25%, except as provided below, for any proceeding where CTC-Colorado's costs are at issue, including any proceeding to establish CTC-Colorado's receipts from the HCSM. The Parties agree that a return on equity of 11.25% is a floor and that CTC-Colorado may propose that a higher percentage be used by the Commission. In such a case, CTC-Colorado will have the burden of going forward and the burden of proof that any proposed return on equity above 11.25 % is just and reasonable. While the Plan is in effect, under no circumstances will Staff or the OCC argue that the rate of return should be lower than 11.25% and CTC-Colorado may use a 12% return on equity for financial reporting purposes. If the Plan is terminated, all Parties retain the right to advocate that a different rate of return on equity is appropriate at that time.

In any proceeding regarding the price ceilings or prices charged by CTC-Colorado under the Plan, the Parties agree that the proposals should not be granted or denied based on CTC-Colorado's overall rate of return or overall revenue requirement, and that they will be precluded from raising an argument to the contrary.

I.) CTC-Colorado may negotiate and enter into customer-specific contracts for services, with terms and conditions tailored to the specific customer's needs. CTC-Colorado will file a notice of contract with the Commission prior to the expiration of fourteen (14) days after the date the contract is signed by all parties to the contract. If the Commission does not set the contract for hearing, the contract will become effective according to its terms. CTC-Colorado agrees that any contract will be offered on a basis that is not unduly discriminatory, and the prices charged for regulated services under the contract will be no greater than the approved price ceilings and will be above a price that would be anti-competitive. The Commission may suspend and investigate any contract in accordance with applicable law and Commission rules and procedures. In a suspension and investigation proceeding, CTC-Colorado will have both the burden of going forward and the burden of proof that any contract is just, reasonable, not unduly discriminatory, and otherwise in compliance with all applicable law and rules.

CTC-Colorado will attach to the notice of contract the following confidential information: (1) the duration of the contract; (2) the regulated and non-regulated services that are being provided; (3) the price(s) contained in the contract; and (4) the sum of the state-wide average or customer-specific Total Service Long Run Incremental

Cost ("TSLRIC") costs of the regulated and nonregulated services provided under the contract. Notwithstanding the fourth requirement, if the contract includes separate prices for regulated and non-regulated services, CTC-Colorado will only provide the sum of the TSLRIC costs of the regulated services.

CTC-Colorado may substitute the tariff rate as a surrogate TSLRIC if: (a) the service is regulated; and, (b) CTC-Colorado does not have a cost study for the service that identifies its TSLRIC. Further, CTC-Colorado may substitute the service catalog price as a surrogate TSLRIC if the service is non-regulated.

Upon request, CTC-Colorado will make a copy of each contract available to Staff and the OCC for review in Denver, Colorado at a location that is neither the office of the Commission nor the OCC.

J.) CTC-Colorado may initiate a new service consisting of a bundle or package of regulated and deregulated services by filing an initial tariff establishing the price ceiling, price list, and setting forth the terms and conditions of the regulated components of the new service. Thereafter, CTC-Colorado may change the price ceiling and price for such service by following the applicable procedures of this paragraph 4. With any bundle or package, CTC-Colorado will either satisfy the bill itemization requirements in Rule 723-2-10 or request a waiver of those requirements.

5. **Implementation of Service Quality Incentive Plan for CTC-Colorado.**

CTC-Colorado acknowledges and agrees to abide by the service quality rules of the Commission as set forth in the Commission's Rules Regulating Telecommunications Service Providers and Telephone Utilities found in Rule 723-2, as same may be revised from time to time. In addition thereto, during the term of the Plan, CTC-Colorado agrees to the implementation of a service quality incentive plan applicable to CTC-Colorado's Commission-regulated service to customers within the subject exchanges. The service quality incentive plan will consist of the following features:

A.) CTC-Colorado agrees to the prospective, automatic remedies for non-compliance with the specific measures set forth in Exhibit 2 attached hereto and incorporated herein by reference. CTC-Colorado's performance under the specific measures agreed to herein will be applied and determined on a calendar year basis or, if applicable, on a partial calendar year basis.

B.) The maximum total amount for which CTC-Colorado will be at risk in any single calendar year is \$300,000.

C.) Notwithstanding the provisions of this paragraph 5, the service quality incentive payments set forth in Exhibit 2 hereto will not commence until the second anniversary of the Effective Date of the Plan. In consideration therefor, CTC-Colorado will implement the service guarantees described in Exhibit 3, attached hereto and incorporated herein by reference, to be applicable during the time period

when CTC-Colorado is not subject to the incentive payments for failure to achieve the service quality levels articulated in Exhibit 2. Commencing on the second anniversary of the Effective Date of the Plan, CTC-Colorado will be liable for any incentive payments that are otherwise due as a result of CTC-Colorado's failure to achieve the service quality standards set forth in Exhibit 2 hereto, but CTC-Colorado will no longer be obligated to continue the service guarantees described in Exhibit 3 hereto.

D.) Non-compliant performance in any measure for two consecutive months, or any three months throughout the applicable calendar year (or any partial calendar year as described in paragraph 5 (I) below), will cause the accumulation of a pro-rated bill credit for any and all months during the year in which non-compliant performance in the specific measure is observed. A prorated adjustment will be calculated for each month of non-compliance in the measure. (For example, if CTC-Colorado were out of compliance for out-of-service repair in January, March, and December, CTC-Colorado would be charged a 3/12 prorate of the total dollar amount at-risk for out-of-service repair.)

E.) Bill Credits will be accumulated and tabulated throughout the year. CTC-Colorado will make a bill credit compliance filing on or before April 1st of the following year, setting forth its bill credit calculations. CTC-Colorado will implement the bill credits, as calculated and filed in its April report, beginning June 1st of the year in which the report is filed. At CTC-Colorado's discretion, the total amount of bill credits due will be applied either in a single month's billing cycle or over a period of months up to the remainder of the year (i.e., June-December). In the event

CTC-Colorado chooses to apply the bill credit over a period of months rather than in a single month billing cycle, interest on the bill credit amount will accrue beginning on June 1 at 8.72% annually. (This percentage is equivalent to CTC-Colorado's weighted average cost of capital, applying 11.25% return on equity. This percentage may change in the event the Commission approves a higher return on equity percentage pursuant to paragraph 4 (H) above.) All eligible customers on the system on the date that a bill credit is issued will receive such bill credit. CTC-Colorado will not, however, have any obligation to issue a refund to customers that have left the system prior to the date of any bill credits. The amount of any incentive payment that CTC-Colorado is obligated to make under this paragraph 5 will be neither increased nor decreased as a result of customers having either left or joined the system as of the date of that any bill credit is issued by CTC-Colorado.

Staff and the OCC may challenge CTC-Colorado's bill credit calculation. Any challenge to CTC-Colorado's bill credit calculation must be made within ninety (90) days after the filing of the report. In the event there is a dispute related to the calculation of the appropriate bill credit, the amount that is not in dispute, if any, will be implemented pursuant to the time lines provided above. A true-up with interest at 8.72% annually (subject to adjustment as provided above) will be applied, if necessary, after the dispute has been resolved.

F.) Performance results will be reported by CTC-Colorado as provided in paragraph 9 of this Agreement. CTC-Colorado may request waivers to exclude from calculations of its performance events, or situations as provided in

Commission rules. In its request for waiver, CTC-Colorado must document and report the time frame and impact of each event and the rationale for excluding it. CTC-Colorado must make requests for waivers, for all measures in Exhibit 2, except held service orders, throughout the performance year and file such waiver requests within 30 days after the event occurs. CTC-Colorado must make requests for waivers for held service orders throughout the performance year and must file the request for waiver within 60 days after the end of the month in which the event occurs. Along with the reports submitted pursuant to paragraph 9 of this Agreement, CTC-Colorado will file summary reports documenting its exclusions, including exclusions for events listed in paragraph 5 (G) below, that identify CTC-Colorado's service results both considering and excluding the extraordinary or abnormal events. CTC-Colorado will make the supporting documentation for the summary exclusions available for review by Staff and the OCC upon request.

G.) Notwithstanding the provisions in paragraph 5 (F) above, the standards within these service quality measurements establish the minimum acceptable quality of service under normal operating conditions. They do not establish a level of performance to be achieved during the periods of emergency, catastrophe, natural disaster, severe storm or other events affecting a large number of customers. Nor will they apply to extraordinary or abnormal conditions of operation, such as those resulting from work stoppage, civil unrest, or other events for which a provider may not have been expected to accommodate. To the extent such conditions affect the measurement records required under this Agreement and/or the ability of CTC-Colorado to meet any

standard contained within this Agreement, it will be CTC-Colorado's responsibility to separately document the duration and magnitude or effect of any such occurrences in its records.

H.) Notwithstanding CTC-Colorado's agreement to the prospective, automatic remedies for non-compliance with the service quality measures set forth in Exhibit 2, nothing herein will constitute a waiver by Staff or the OCC of their respective abilities to initiate a show cause or complaint proceeding against CTC-Colorado for a violation by CTC-Colorado of the Commission's service quality rules for telecommunications services providers. In the event either Staff or the OCC initiates such a proceeding against CTC-Colorado, CTC-Colorado specifically reserves its right to argue that any obligation to make incentive payments pursuant to this paragraph 5 will not be required to the extent such proceeding results in an Order requiring reparations or the payment of a fine by CTC-Colorado.

I.) Bill credits, if any, due to customers as a result of CTC-Colorado's failure to meet the performance measures articulated in Exhibit 2 during any partial calendar year of the Plan will be determined on a pro-rated basis, based on the ratio between the number of months in the partial calendar year and twelve (12) months. For example, if the partial calendar year contains three (3) months, the maximum total at risk amount and the calculation of the associated bill credits will be 3/12s of the amounts that would otherwise be applicable during a complete calendar year.

J.) The Parties reserve the right to petition the Commission for changes in the existing service quality rules and related requirements in the rules. If the Commission should change the existing service quality rules or the related measures in the service quality rules specified in Exhibit 2, the Parties agree to modify Exhibit 2. Modifications to the service quality incentive plan contemplated in this paragraph 5 are limited to the changes necessary to align the service quality incentive plan measures with the relevant changes in the Commission's existing service quality rules. Consideration will be given in timing changes in Exhibit 2 to reflect the annual adjustment administration. To the extent the Parties cannot resolve the modification to Exhibit 2 to reach consistency with the rules, the Parties agree to request arbitration by the Commission on the unresolved issue. If changes in Exhibit 2 are required as a result of service quality rule and/or related service quality measure changes, the total Bill credit incentive adjustment maximum remains at \$300,000 per year.

K.) Any subsequent tariffed rate proceedings will treat the bill credits as "below-the-line" adjustments.

6. Infrastructure Investment.

During the term of the Plan, CTC-Colorado agrees to expend no less than \$20,000,000 for infrastructure improvements in the subject exchanges for the benefit of CTC-Colorado's regulated service offerings. The Parties agree that the timing and selection of all such investment will be determined solely by CTC-Colorado, except that CTC-Colorado agrees to spend not less than \$7,000,000 of the \$20,000,000 commitment

by the second anniversary of the Effective Date of the Plan. CTC-Colorado acknowledges, however, that its commitment to make infrastructure improvements in the amount specified herein will in no way serve to limit or otherwise restrict the level of investment that CTC-Colorado may make in the ordinary course of business as a regulated telecommunications service provider in Colorado. CTC-Colorado's obligation regarding infrastructure investment as discussed in this paragraph will survive the termination of the Plan in the event the Plan is terminated as a result of CTC-Colorado's filing of a general rate case as described in paragraph 3 above.

7. Colorado High Cost Support Mechanism Participation.

CTC-Colorado will participate in HCSM with respect to the subject exchanges and access lines as a Part 1 provider under Rule 723-41. CTC-Colorado's participation in the HCSM as described herein will be without prejudice to CTC-Colorado's status and classification relative to any future modifications of the statutory or regulatory framework of the mechanism.

8. Agreement to Provide Accounting Entries.

Within ninety (90) days after Closing, CTC-Colorado and USWC will submit a full set of the initial accounting entries made on the books of each company to reflect consummation of the Colorado Purchase Agreement. The Parties acknowledge and agree, however, that these entries are preliminary because the purchase price is subject to change due to contingencies described in the Colorado Purchase Agreement. Within ninety (90) days after the resolution of the last contingency item described in the

Colorado Purchase Agreement, CTC-Colorado and USWC will submit a complete set of the final accounting entries made on the books of each company to reflect final consummation of the Colorado Purchase Agreement that reflects resolution of all contingencies that were outstanding at Closing.

9. **Specific Reporting Requirements.**

Forty-five (45) days after the end of each calendar quarter during the term of the Plan, CTC-Colorado will prepare and submit to Staff and the OCC a report outlining CTC-Colorado's performance under the service quality measures described in Exhibit 2. In addition, at the same intervals, CTC-Colorado will prepare and submit to Staff and the OCC a report that describes the nature and extent of the infrastructure improvements that have been completed or that are underway pursuant to CTC-Colorado's commitment set forth in paragraph 6 above. CTC-Colorado may consider certain of the information contained in such reports to be confidential and proprietary in nature. CTC-Colorado reserves any right it may have to have the information treated as confidential pursuant to the Commission's rules regarding the treatment of confidential information found at Rule 723-16.

The Parties agree that CTC-Colorado's obligations with regard to reports submitted pursuant to this paragraph 9 will commence at the end of the first complete calendar quarter after Closing.

10. Treatment of Existing Interconnection Agreements.

CTC-Colorado affirms that it intends to negotiate interconnection agreements with all telecommunications service providers that have Commission approved interconnection agreements with USWC, and for which USWC provides interconnection services in the subject exchanges. CTC-Colorado expects to reach agreement with all such providers prior to Closing. In the event, however, that CTC-Colorado has not reached agreement with any such provider prior to Closing, CTC-Colorado agrees, as an interim measure, to provide interconnection services to that provider according to the terms of, and for the duration of, USWC's approved interconnection agreement with that provider, unless and until CTC-Colorado and that provider are able to reach a new interconnection agreement. All interconnection agreements between CTC-Colorado and telecommunications service providers in the subject exchanges will be submitted to this Commission for approval as required by law.

11. Provider of Last Resort, Eligible Telecommunications Carrier and Eligible Provider Status.

With respect only to those exchanges and access lines being transferred from USWC to CTC-Colorado pursuant to the terms of the Colorado Purchase Agreement, upon Closing, CTC-Colorado will and does hereby agree to become a POLR, an ETC and an EP pursuant to the terms of the Commission's Rules 723-42 and 723-41, respectively. The Parties agree that concurrent with CTC-Colorado becoming a POLR, an ETC and an EP in the subject exchanges, all of USWC's obligations with

respect thereto, including POLR, ETC and EP, will terminate relative to the subject exchanges.

12. Requests for Variances or Waiver of Commission Rules.

The Parties agree to, and request that the Commission grant, the following specific variances or waivers of the Commission's rules:

A.) As expressed in the Joint Application, this transaction represents a transfer of customers and services to CTC-Colorado, as opposed to an abandonment or discontinuation of service, generally, or the abandonment, discontinuation or curtailment of a specific service or services. Accordingly, USWC does not believe that Rules 723-1-57 and 723-36, governing abandonment, discontinuance or curtailment of a service, apply to this transaction. Instead, USWC believes that Rule 723-37, which expressly pertains to transfers, is applicable here. Nonetheless, to the degree that the Commission believes that Rules 723-1-57 and 723-36 apply, the Parties agree that it is appropriate for the Commission to issue a waiver from these rules.

B.) At Closing, the customers in the subject exchanges for whom USWC provides local exchange service or intraLATA toll service will be transitioned to CTC-Colorado, which will provide such services to these customers. CTC-Colorado and USWC do not believe that this type of transfer pursuant to a sale of exchanges implicates the Commission's rules governing the change of presubscription (e.g., "slamming"), set forth in Rule 723-2-25. Nonetheless, to the degree that the

Commission believes that the slamming rules apply, the Parties agree that it is appropriate for the Commission to issue a waiver from those rules to make clear that USWC may transfer responsibility for USWC presubscribed customers in the subject exchanges to CTC-Colorado at the time of Closing. Only those local exchange and intraLATA toll customers in the exchanges presubscribed to USWC at the time of Closing will be switched to CTC-Colorado.

C.) Certain provisions of the Commission's rules require the filing of a metes and bounds description of the area within which the subject exchanges are located. Because of the geographic diversity of the areas involved in the sale and transfer of the subject exchanges, a metes and bounds description of these areas would be extremely difficult, time consuming and costly to prepare. As a result, such a description has not been prepared. CTC-Colorado has requested that it be granted a waiver from the requirements of Rules 723-35-6.1.1 and 723-42-7.2.2, and the Parties agree that it is appropriate for the Commission to issue such a waiver. Notwithstanding the granting of this waiver, CTC-Colorado agrees to maintain the information it receives from USWC regarding the geographic identity of the subject exchanges to the same level of detail and accuracy as originally received from USWC.

13. CTC-Colorado's Status as Small or Rural Local Exchange Provider.

The Parties agree that nothing herein will serve to either diminish or enhance CTC-Colorado's ability under any state or federal law, rule or regulation to qualify for operation as a small or rural telecommunications service provider.

14. Initiation of Show Cause or Complaint Proceedings.

Staff and the OCC hereby agree that neither will initiate or seek to have initiated a complaint or show cause proceeding regarding CTC-Colorado's price ceilings or prices until after the second anniversary date of the Effective Date. In the event either Staff or the OCC initiates or seeks to have initiated such a proceeding against CTC-Colorado, CTC-Colorado's obligations under this Agreement will immediately terminate, including but not limited to those relating to service quality incentive plan and CTC-Colorado's infrastructure investment commitment.

15. No Objection to Granting of Study Area Waiver.

The Parties acknowledge that the purchase and sale transaction contemplated by the Colorado Purchase Agreement is subject to FCC approval for Part 36 study area waivers. The FCC has indicated that it will not accept a petition for a study area waiver unless the appropriate state regulatory agency has stated that it does not object to the necessary changes in study area boundaries. Staff and the OCC do not object to the Commission making such a statement to the FCC. Consequently, the

Parties request that the Commission's Order in this matter include a specific statement to the effect that the Commission does not object to the FCC granting any necessary study area waivers, nor to any reconfiguration of study area boundaries for the subject exchanges.

16. Customer Notice.

Prior to filing the Joint Application, as well as subsequent thereto, CTC-Colorado and/or USWC conducted a series of public meetings and open houses that were intended to advise customers of USWC's transfer and sale of the subject exchanges to CTC-Colorado. A detailed description of these meetings and open houses is contained in the Affidavit of Joseph D. Chicoine on behalf of CTC-Colorado, filed in this docket on April 24, 2000. In addition to the measures already taken, CTC-Colorado and USWC intend to give customers in the subject exchanges additional notice of the purchase and sale of the subject exchanges contemplated herein, upon Commission approval of the Joint Application. CTC-Colorado and USWC agree to share a copy of this notice with Staff and the OCC in advance of mailing and to work with Staff and the OCC so that the notice is reflective of Staff and the OCC's comments.

17. No Change to Terms and Conditions of USWC Price and Service Quality Plan.

The Parties agree that nothing herein will alter or otherwise modify the terms and conditions of the Stipulation and Settlement Agreement by and among USWC, Staff and the OCC approved by the Commission in Docket No. 97A-540T.

18. Treatment of Net Gain or Net Loss by USWC.

USWC will account for the sale of the subject exchanges as a sale of "plant with traffic" in accordance with Part 32 of Title 47, *Telecommunications*, of the United States Code of Federal Regulations. Any intrastate net gain or net loss (defined as the difference between the sale price and net book, reduced by the expenses and taxes associated with the sale) produced by this transaction shall be recorded to Account 7350 as a non-operating income and expense account, *i.e.* a below-the-line account.

19. Effect on USWC Price Ceilings Or Tariffed Prices.

USWC agrees that it will not change the price ceilings or tariffed prices for its jurisdictional services as a direct result of any intrastate gain or loss realized from this transaction; provided, however, that nothing in this Agreement shall prevent USWC from seeking to change or changing its price ceilings or tariffed prices for any other reason in accordance with its applicable regulatory plan or law.

20. Tariff filing by CTC-Colorado Upon Approval of Agreement.

CTC-Colorado will make a compliance filing with the Commission subsequent to the Commission's approval of this Agreement for the purpose of implementing (on not less than one (1) day's notice) the price ceilings, prices, and terms of condition of service (in a form and content that is the same in all material respects to that contained in Exhibit K to the Joint Application) pursuant to which CTC-Colorado will provide Commission-regulated telecommunications service to customers in the